ORIGINAL

EX PARTE OR LATE FILED

U.S. GENERAL SERVICES ADMINISTRATION
Office of General Counsel

August 19, 1999

Ex Parte

Ms Magalie R. Salas
Secretary
Federal Communication Commission
Room TW-A325, The Portals
445 Twelth Street
Washington, DC 20554

Re: CC Docket No. 98-137, In the Matter of 1998 Biennial Review—Review of Depreciation Requirements for Incumbent Local Exchange Carriers

ASD Docket No. 98-91, USTA Petition for Forbearance from Depreciation Regulation

CC Docket No. 98-177, In the Matter of 1998 Biennial Regulatory Review—Petition for Section 11 Biennial Review filed by SBC Communications Inc., Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell

CC Docket No. 98-45, Universal Service

Dear Ms Salas:

In accordance with the Commission's Rules, Section 1.1206, please be advised that on August 18, 1999, at the invitation of Commission staff, the attached written ex *parte* presentation was provided by the General Services Administration (GSA) to the staff of the Common Carrier Bureau. GSA recommends that Commission-prescribed lives be used for all regulatory purposes.

Two copies of this cover letter and attachment are being submitted for each of the four above-referenced proceedings (total of eight copies). Acknowledgement and date of receipt of this transmittal are requested; a duplicate cover letter will be presented by the courier delivering this material, and returned to GSA.

1800 F Street, NW, Washington, DC 20405-0002

Please include this material in the record of these proceedings in accordance with Section 1.1206.

If you have any questions, please feel free to contact me at 202-501-1156.

Sincerely,

Michael J. Ettner

Michael J. Ettner
Senior Assistant General Counsel
Personal Property Division

Attachment

FCC vs TFI LIVES

EX PARTE

PRESENTATION TO FCC STAFF

WASHINGTON, DC

AUGUST 18, 1999

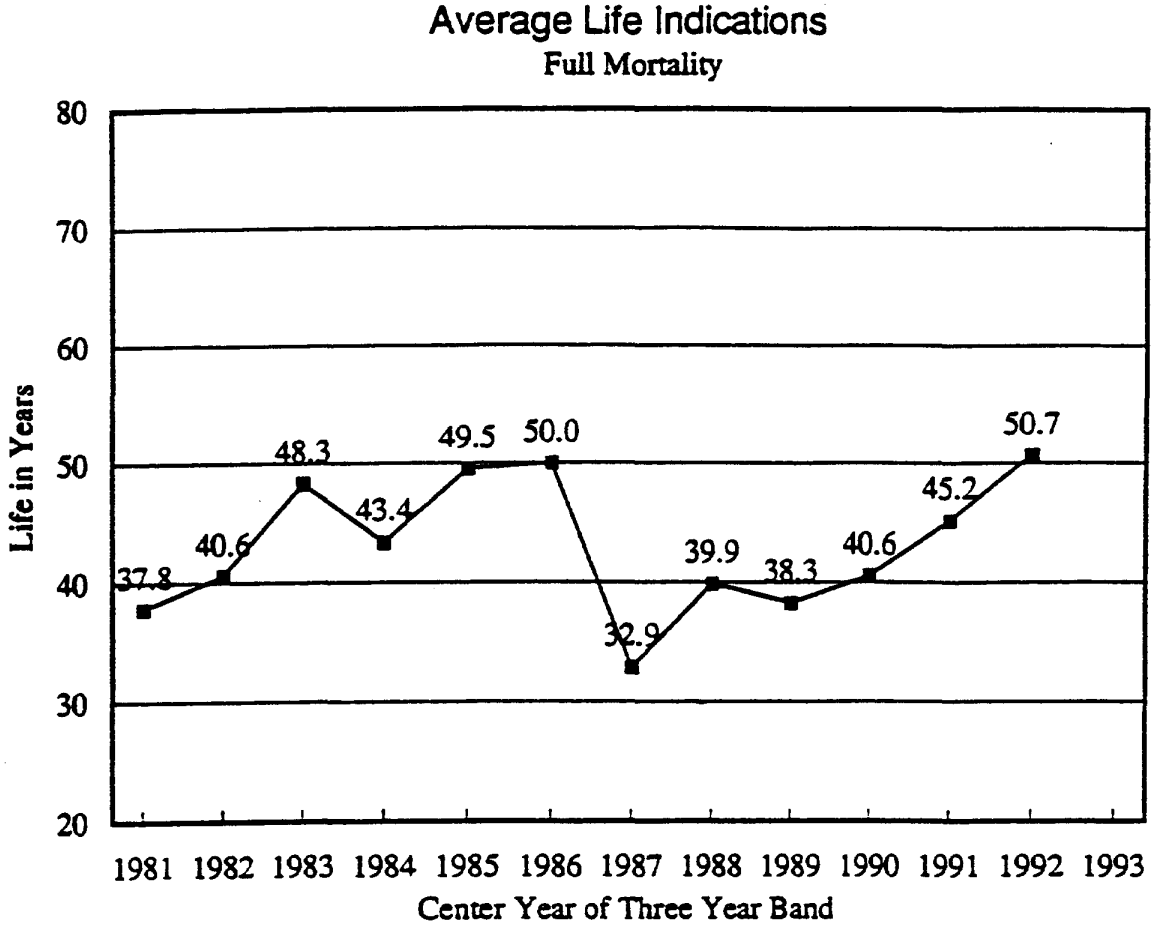
By

SNAVELY KING MAJOROS O'CONNOR & LEE, INC.

ON BEHALF OF THE

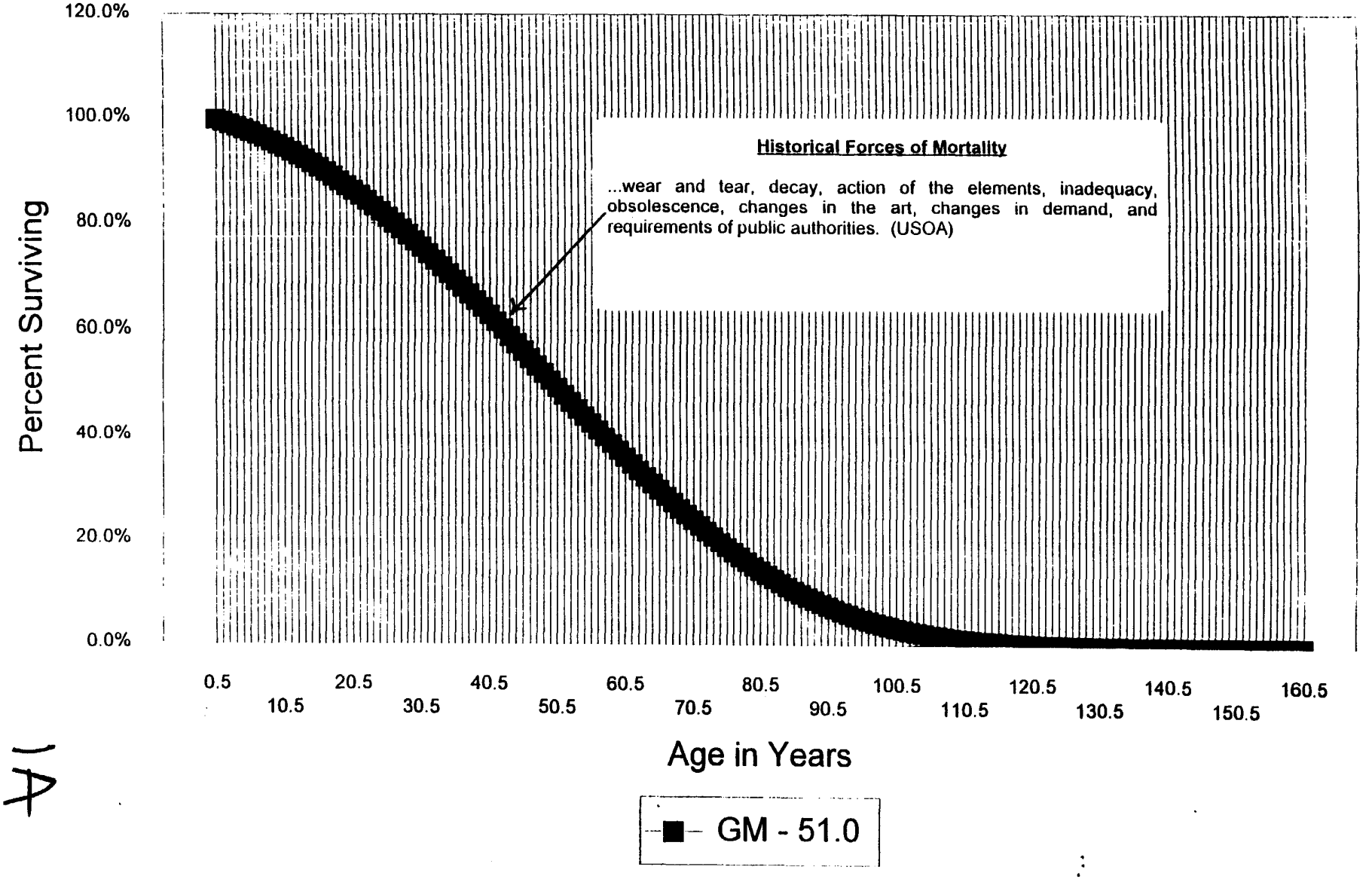
GENERAL SERVICES ADMINISTRATION

Company : BellSouth Telecommunications
State : Georgia
Account : 2422.1000
Category : Underground Cable Metal



HISTORICAL FORCES OF MORTALITY

Bell South Georgia - Metallic Underground Cable



14

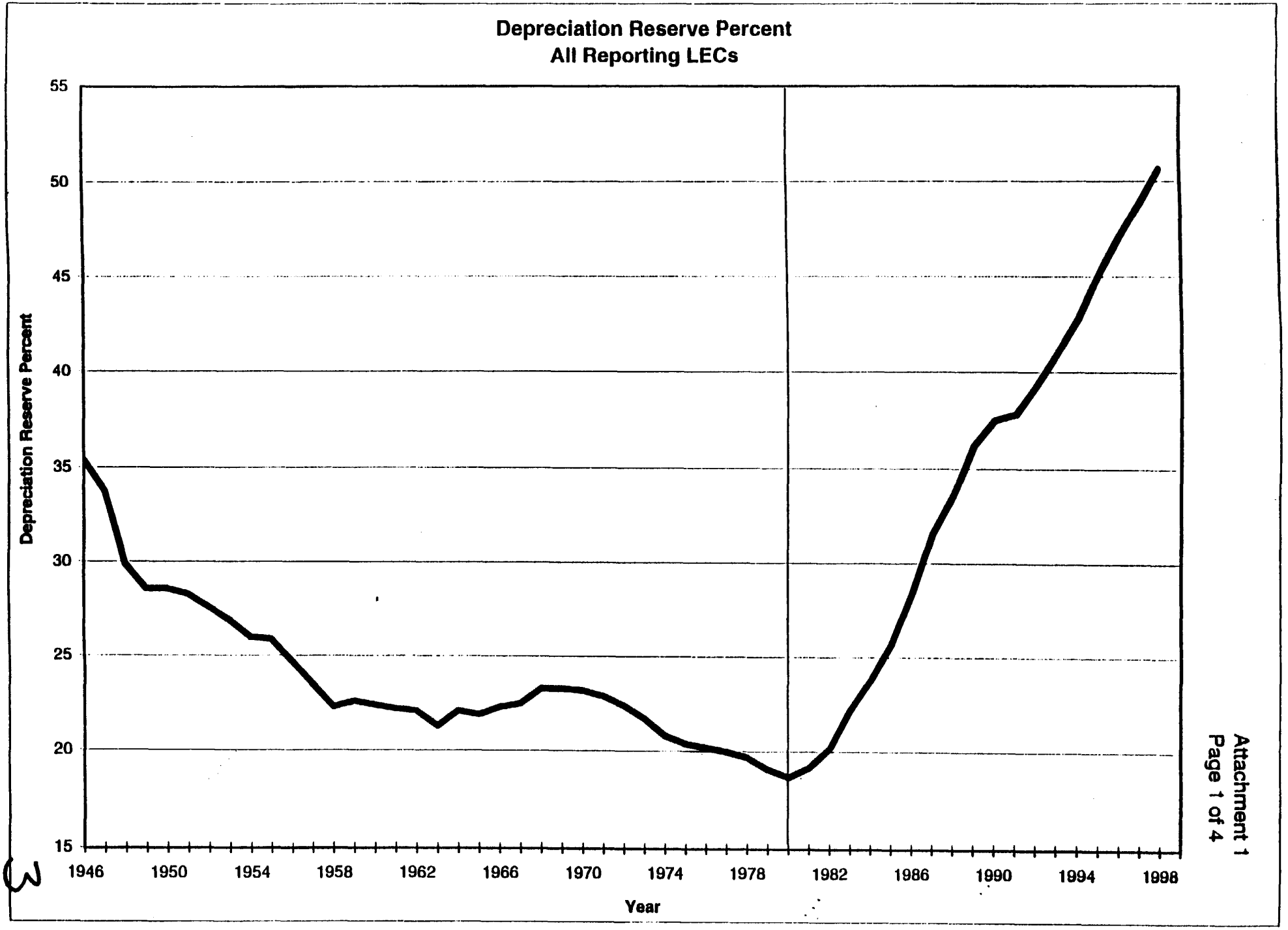
1980 CHANGE IN FCC ORIENTATION

In 1980, the Commission departed from its previous practice of relying largely on historical experience to project equipment lives and began increasingly relying on company plans, technological developments and other future-oriented analyses.

* * *

We note that, since the Commission's Depreciation Reform Proceeding in 1980, the life and salvage factors prescribed by the Commission are forward-looking factors that are based primarily on analysis of incumbent LEC investment plans and on judgments regarding the technological obsolescence and economic viability of the assets, rather than a focus on the historical equipment life trends.

Source: 1998 Brennial Regulatory Review – Review of Depreciation requirements for Incumbent Local Exchange Carriers, CC Docket No. 98-137, Notice of Proposed Rulemaking, FCC 98-170, released October 14, 1998 , p. 2.


Depreciation Reserve Percent
All Reporting LECs
Depreciation Reserve Percent
55
50
45
40
35
30
25
20
15
1946
1950
1954
1958
1962
1966
1970
1974
1978
1982
1986
1990
1994
1998
Year

SUBSTITUTION THEORY

- S CURVE OK IF SUBSTITUTION
- RATE OF SUBSTITUTION CRITICAL

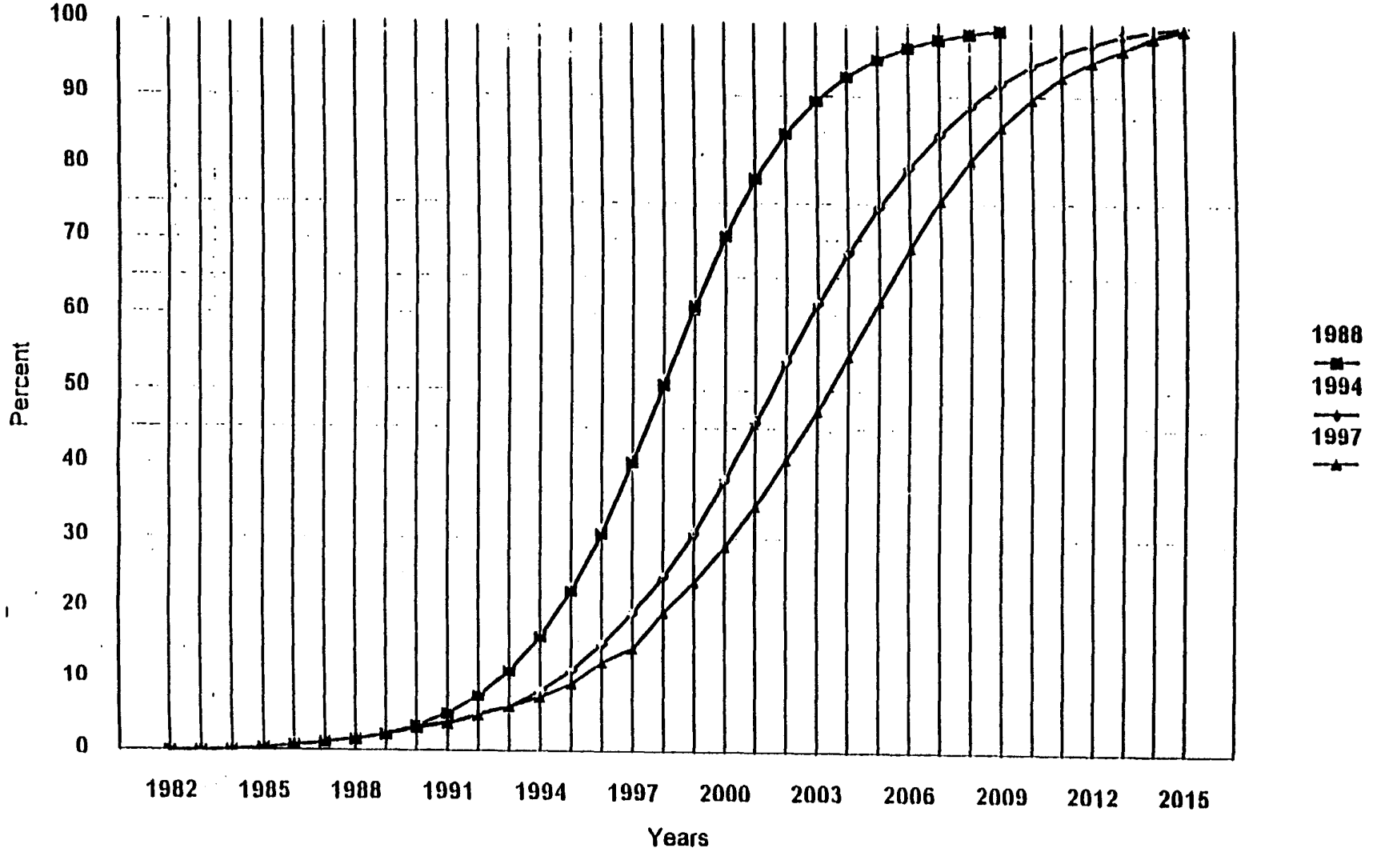
EXHIBIT

COMPARISON OF TFI'S FIBER FEEDER FORECASTS
(PERCENT OF CIRCUITS SERVED BY FIBER CABLE)

End-of-Year	TFI's 1988 Forecast %	TFI's 1994 Forecast %	TFI's 1997 Forecast %
1982	**0.0**	**0.0**	**0.0**
1983	**0.1**	**0.1**	**0.1**
1984	**0.1**	**0.1**	**0.1**
1985	**0.4**	**0.4**	**0.4**
1986	**0.7**	**0.7**	**0.7**
1987	**1.1**	**1.1**	**1.1**
1988	**1.6**	**1.6**	**1.6**
1989	2.2	**2.2**	**2.2**
1990	3.4	**3.1**	**3.1**
1991	5.1	**3.8**	**3.7**
1992	7.6	5.1	**4.9**
1993	11.1	6.1	**6.1**
1994	16.0	8.3	**7.4**
1995	22.6	11.2	**9.3**
1996	30.8	15.0	12.4
1997	40.4	19.4	14.4
1998	50.8	24.6	19.5
1999	61.2	30.8	23.9
2000	70.6	38.0	29.0
2001	78.5	45.9	34.6
2002	84.8	53.9	40.8
2003	89.5	61.6	47.5
2004	92.9	68.5	54.6
2005	95.2	74.6	61.9
2006	96.8	80.0	69.1
2007	97.9	84.7	75.6
2008	98.6	88.7	81.1
2009	99.1	91.9	85.8
2010		94.3	89.7
2011		96.0	92.8
2012		97.3	94.9
2013		98.4	96.5
2014		99.1	98.2
2015		99.5	99.2

Note: Bold indicates actual industry percents at the time TFI projections developed.

TFI STUDIES - PERCENT FIBER IN FEEDER



9

ACCEPTANCE of TFI LIVES

- LECs HAVE ADOPTED TFI LIVES FOR FINANCIAL REPORTS

- REGULATORS HAVE GENERALLY REJECTED FOR PRICING PURPOSES

LEC FINANCIAL BOOK WRITEDOWNS

Carrier	Year	Pre-tax Writedown
U S West	1993	$5.4 billion
Ameritech	1994	3.7
Bell Atlantic	1994	3.5
Bell South	1995	4.9
NYNEX	1995	3.6
Pacific Telesis	1995	4.7
SBC	1995	4.7
GTE	1995	7.4
TOTAL		$37.9 billion

FCC REJECTED FINANCIAL BOOK LIVES FOR AT&T

We conclude that AT&T has not made a sufficient showing that this Commission should base AT&T's book rates on the depreciation rates that it uses for financial reporting purposes. Initially, we observe that the present depreciation procedures have worked well for AT&T, in terms of ensuring more rapid capital recovery. Our recent depreciation orders have allowed AT&T to increase substantially its depreciation reserve, from 24.8% of plant as of January 1, 1984 to 39.1% as of January 1, 1989. AT&T does not state in its petition in what specific manner this Commission has been remiss in our depreciation rate prescriptions of recent years. Rather, it relies upon the fact that in 1988 it took a $6 billion writedown of its asset value for financial reporting purposes. This event may, indicate that a new look at AT&T's depreciation situation is warranted, notwithstanding our recent depreciation represcription, and we are accordingly initiating herein an inquiry into AT&T's need for revised depreciation rates. However, that assessment can be accomplished using current procedures rather than deprecation rate methodologies that go well beyond those that we have traditionally employed. We have taken a series of initiatives during the past decade to ensure that carriers are able to adjust their depreciation rates promptly to recover capital investment costs as quickly as possible under the federal regulatory scheme. We do not see a need now to abandon one of those initiatives to address what appears to be a temporary problem that can be resolved with measures less drastic than those suggested by AT&T.

Source: The Modification of the Commission's Depreciation Prescription Practices as Applied to AT&T and The Prescription of Revised AT&T Depreciation Rates, Memorandum Opinion and Order, FCC 89-325, adopted November 22, 1989 (footnote deleted), para. 23.

GAAP Conservatism

The Generally Accepted Accounting Principle (GAAP) of conservsatism "prefers the understatement (versus overstatement) of net income and net assets where any potential measurement problems exist."

Source: Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Comments of GTE, March 10, 1993, p. 14.

GAAP CONSERVATISM

One of the primary purposes of GAAP is to ensure that a company does not present a misleading picture of its financial condition and operating results by, for example, overstating its asset values or overstating its earnings, which would mislead current and potential investors, GAAP is guided by the conservatism principle which holds, for example, that, when alternative expense amounts are acceptable, the alternative having the least favorable effect on net income should be used. Although conservatism is effective in protecting the interest of investors, it may not always serve the interest of ratepayers. Conservatism could be used under GAAP, for example, to justify additional (but, perhaps not "reasonable") depreciation expense by a LEC....

Source: Simplification of the Depreciation Prescription Process; CC Docket No. 92-296, Report and Order, FCC 93-452, released October 20, 1993, para 46.

FCC LIVES USED IN TFP CALCULATIONS

In our analysis, we have decided to use our prescribed depreciation rates. We find that it would not be reasonable, based on this record, to prescribe a set of depreciation rates for TFP calculations that differ from the depreciation rates currently in place for determining operating expenses. First, there is no sound basis in the record in this proceeding for determining whether and to what extent our depreciation rates differ from economic depreciation rates. Second, developing an additional distinct set of depreciation rates would clearly increase administrative burdens, and the record before us does not reveal any countervailing benefits that would justify this additional burden. Third, under our recently established streamlined procedures for determining LEC depreciation rates, incumbent LECs have considerable influence and some discretion in setting their specific depreciation rates. Commenters in this proceeding have not persuaded us that the depreciation rates we have currently prescribed do not reflect the LECs' depreciation costs.

* * *

We can think of no reason why incumbent LECs should be permitted to use different depreciation rates for different regulatory purposes.

Source: Access Reform/ Price Cap, Fourth Report and Order in CC Docket No. 94-1 and Second Report and Order in CC Docket No. 96-262, FCC 97-159, released May 21, 1997, para. 63 (footnote deleted) and footnote 122.

MASSACHUSETTS UNE DECISION

As noted by Mr. Lee, the FCC's represcription process is based on a forward-looking orientation, including current technological developments and trends. He notes that this has been made evident in increasing depreciation reserve levels for NYNEX. He also states that the FCC projection lives result in a composite 7.4 percent depreciation rate, despite an average retirement rate of only 3.3 percent. This, he asserts, is a clear indication that the FCC's projection lives are forward-looking, because, if it were using a historical approach, the composite rate would be in the 3 to 4 percent range (AT&T Unmarked Exh. at 6-4).

Under the terms of the Local Competition Order, it is NYNEX's burden to prove the reasonableness of its proposed depreciation rates. Dr. Vanston's testimony does not effectively rebut Mr. Lee's characterization of the FCC process, and, although he has offered general opinions about the degree of technological change that might occur in the industry, he has presented no NYNEX-specific analysis that might cause us to think that the FCC lives are not appropriate.

We find, based on this record, that the projection lives prescribed by the FCC in its last represcription of NYNEX's depreciation rates are the kind of forward-looking projection lives required in a TELRIC study.

Source: D.P.U. 96-73/74, 96-80/81, 96-83, 96-94-Phase 4, December 4, 1996, Decision, pp. 55-56.

NEW YORK UNE DECISION

As noted, AT&T offered evidence that recent FCC represcriptions have been more forward-looking.

***

We find ample basis for crediting AT&T's argument that the represcription process has become more forward-looking.

***

Given the (rebuttal) presumption, under both the First Report and Order and the cost manuals, in favor of the prescribed rates, a decision that those rates are acceptable obviates detailed evaluation of New York Telephone's proposals. It is worth noting, however, that New York Telephone has not shown why GAAP-based rates are proper, nor has it fully come to grips with the concern that adoption of its GAAP-based depreciation rates would unduly inflate the cost of network elements, in effect requiring its competitors to subsidize its own competitive ventures.

Source: Cases 95-C-0657, 94-C-0095, 91-C-1174, Opinion No. 97-2, pp. 47-48.

DELAWARE UNE DECISION

We agree with Staff, OPA, MFS and AT&T that the use of unreasonably short economic lives will lead to excessive costs for the unbundled network elements. We do not find persausive BA-Del's criticisms of the lives recommended by AT&T witness Lee. The FCC prescribed lives are forward-looking and appropriate to use in a TELRIC model. (Ex. 12 at 5) they are determined by an independent unbiased agency with 50 years' experience prescribing depreciation rates for telephone companies. (Id. At 4)

***

We agree with Staff, OPA, MFS and AT&T that the depreciation lives proposed by BA-Del witness Vanston are too short and should be rejected. We found the testimony of AT&T witness Lee to be credible and we will adopt the forward-looking plant lives and deprecation rates prescribed by the FCC for BA-Del, as recommended by Mr. Lee.

Source: Docket 96-324, April 29, 1997, Decision, Findings and Recommendations of the Hearings Examiners, April 7, 1999, pp. 40-41.

WEST VIRGINIA UNE DECISION

After considering the testimony and evidence presented by the parties, the Commission concludes that while several of the assumptions advanced by Mr. Vanston regarding technological obsolescence and substitution have logical validity, those assumptions are not sufficiently supported by the evidence to be adopted by the Commission for purpose of establishing depreciation lives.

***

The Commission will adopt, for the most part, AT&T's argument that the Commission should base BA-WV's depreciation lives on those lives prescribed by the FCC during the represcription process. Such lives do take into account technological advances and telecommunications carriers' actual retirement of plant. Moreover, the FCC has indicated that these lives, or those adopted by state commissions, are an "appropriate starting point" for establishing depreciation lives for an ILEC's physical plant.

Source: Case No. 96-1516-T-PC, April 21, 1997, pp. 40-43.

MARYLAND UNE DECISION

After reviewing the record on this issue, we will accept the consensus of the parties (excepting Bell) that the FCC lives should be utilized at this time in determining the appropriate depreciation rates for pricing unbundled networks elements.... On this record, we note the difficulty in reviewing and verifying the shortened lives advocated by witness Vanston, while the relatively recent FCC prescribed depreciation rates have undergone scrutiny and been accepted by the FCC as well as other jurisdictions.

Source: Case No. 8731 (Phase II), September 22, 1997, p. 42.

VIRGINIA UNE DECISION

We adopted the AT&T/MCI-recommended depreciation parameters (Exhibit RBL-78, Attachment 6, Column "FCC VA"), in which Staff concurred, for forward-looking, economic lives and net salvage percentages. These parameters are the best supported and most reasonable data in this proceeding.

Source: Docket 970005, Order, May 22, 1998, p. 6.

TFI TRACK RECORD

- TRACKING REPORTS
- STUDIES

Ex: 1
PAGE 1 OF 3

BellSouth Telecommunications
General Cable
Attachment 5
Page 1 of 6

TRACK RECORD

COMPARISON OF ACTUAL RETIREMENTS AND ADDITIONS

TO THE 1989 AND 1992 DEPRECIATION STUDY FORECASTS

Retirements-Aerial Cable Metal

($000)

	Activity Year	1989 Study Forecast	1992 Study Forecast	Actuals	Percent Change 1989-1992 Study Forecast	Percent Achievement Actuals vs 1992 Study Forecast
		A	B	C	D = B/A	E = C/B
Florida	1992	13,800	15,306	23,568	110.9%	154.0%
	1993	23,200	19,917	26,934	85.8%	135.2%
	1994	26,700	25,512	9,343	95.6%	36.6%
	Totals	63,700	60,735	59,845	95.3%	98.5%
Georgia	1992	14,700	15,587	9,102	106.0%	58.4%
	1993	24,800	19,769	11,271	79.7%	57.0%
	1994	28,500	24,768	13,302	86.9%	53.7%
	Totals	68,000	60,124	33,675	88.4%	56.0%
N. Carolina	1992	6,100	10,492	5,389	172.0%	51.4%
	1993	10,200	13,707	5,727	134.4%	41.8%
	1994	11,700	17,553	5,847	150.0%	33.3%
	Totals	28,000	41,752	16,963	149.1%	40.6%
S. Carolina	1992	4,100	3,541	2,940	86.4%	83.0%
	1993	6,900	4,392	2,923	63.7%	66.6%
	1994	7,900	5,405	2,526	68.4%	46.7%
	Totals	18,900	13,338	8,389	70.6%	62.9%
Company	1992	38,700	44,926	40,999	116.1%	91.3%
	1993	65,100	57,785	46,855	88.8%	81.1%
	1994	74,800	73,238	31,018	97.9%	42.4%
	Totals	178,600	175,949	118,872	98.5%	67.6%

20

TRACK RECORD (cont'd)

Retirements-Underground Cable Metal

($000)

	Activity Year	1989 Study Forecast	1992 Study Forecast	Actuals	Percent Change 1989-1992 Study Forecast	Percent Achievement Actuals vs 1992 Study Forecast
		A	B	C	D = B/A	E = C/B
Florida	1992	11,300	43,211	10,404	382.4%	24.1%
	1993	19,000	53,215	19,402	280.1%	36.5%
	1994	21,800	63,915	14,845	293.2%	23.2%
	Totals	52,100	160,341	44,651	307.8%	27.8%
Georgia	1992	5,400	23,058	3,609	427.0%	15.7%
	1993	9,000	28,672	4,901	318.6%	17.1%
	1994	10,400	34,748	13,313	334.1%	38.3%
	Totals	24,800	86,478	21,823	348.7%	25.2%
N. Carolina	1992	1,300	8,807	3,075	677.5%	34.9%
	1993	2,200	11,600	4,610	527.3%	39.7%
	1994	2,500	14,818	3,859	592.7%	26.0%
	Totals	6,000	35,225	11,544	587.1%	32.8%
S. Carolina	1992	1,600	6,915	3,449	432.2%	49.9%
	1993	2,600	8,802	1,375	338.5%	15.6%
	1994	3,000	10,906	1,470	363.5%	13.5%
	Totals	7,200	26,623	6,294	369.8%	23.6%
Company	1992	19,600	81,991	20,537	418.3%	25.0%
	1993	32,800	102,289	30,288	311.9%	29.6%
	1994	37,700	124,387	33,487	329.9%	26.9%
	Totals	90,100	308,667	84,312	342.6%	27.3%

TRACK RECORD (cont'd)

Retirements-Buried Cable Metal

($000)

	Activity Year	1989 Study Forecast	1992 Study Forecast	Actuals	Percent Change 1989-1992 Study Forecast	Percent Achievement Actuals vs 1992 Study Forecast
		A	B	C	D = B/A	E = C/B
Florida	1992	35,100	58,236	23,142	165.9%	39.7%
	1993	59,000	76,137	22,283	129.0%	29.3%
	1994	67,800	97,482	23,506	143.8%	24.1%
	Totals	161,900	231,855	68,931	143.2%	29.7%
Georgia	1992	20,600	34,487	17,170	167.4%	49.8%
	1993	34,700	44,774	17,101	129.0%	38.2%
	1994	39,900	56,878	20,802	142.6%	36.6%
	Totals	95,200	136,139	55,073	143.0%	40.5%
N. Carolina	1992	16,800	22,987	11,061	136.8%	48.1%
	1993	28,300	29,710	10,344	105.0%	34.8%
	1994	32,500	37,674	13,343	115.9%	35.4%
	Totals	77,600	90,371	34,748	116.5%	38.5%
S. Carolina	1992	8,400	16,867	9,247	200.8%	54.8%
	1993	14,100	19,942	7,793	141.4%	39.1%
	1994	16,200	23,458	7,261	144.8%	31.0%
	Totals	38,700	60,267	24,301	155.7%	40.3%
Company	1992	80,900	132,577	60,620	163.9%	45.7%
	1993	136,100	170,563	57,521	125.3%	33.7%
	1994	156,400	215,492	64,912	137.8%	30.1%
	Totals	373,400	518,632	183,053	138.9%	35.3%

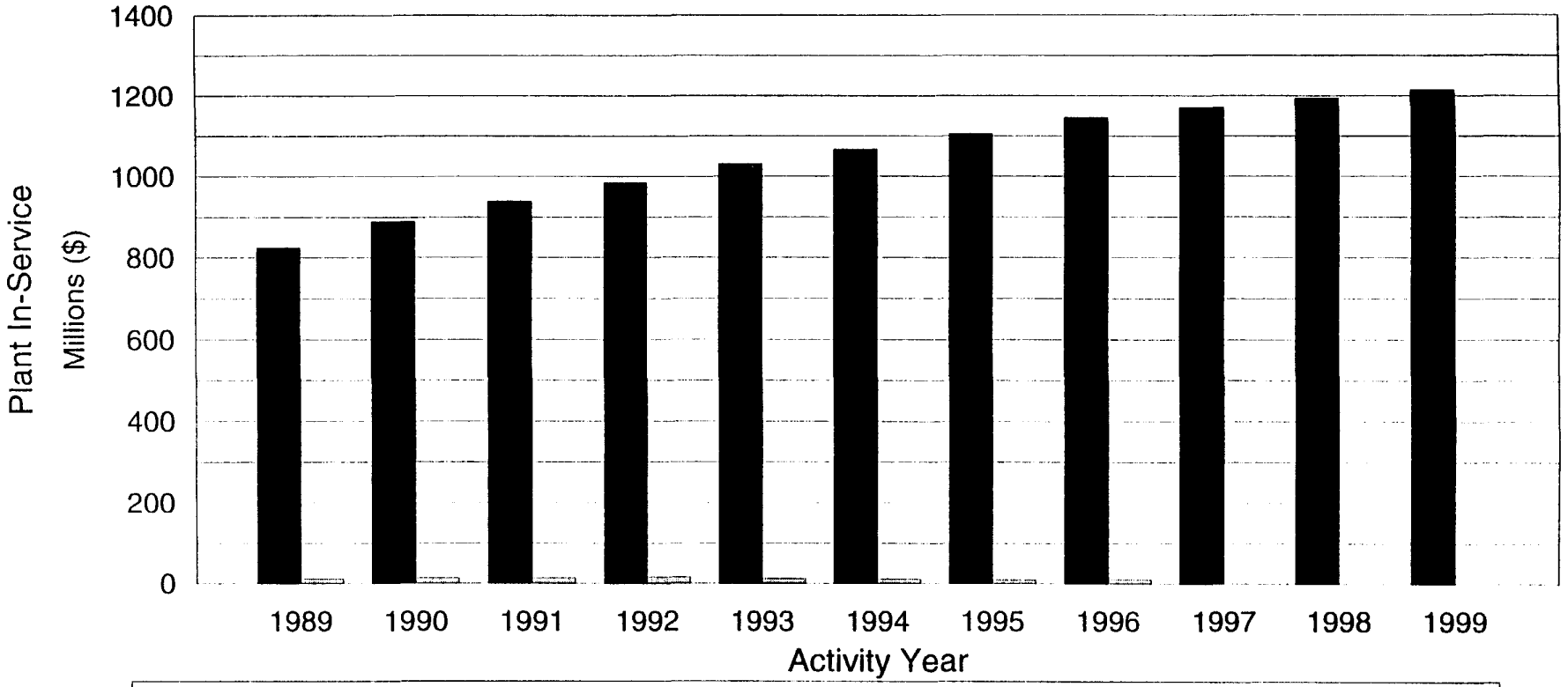
BellSouth - South Carolina - Metallic Cable

Account	Year	Additions (a)	Retirements (b)	Investment EOY Balance (c)	Average Investment (d)	Single Year Retirement Ratios (e=b/d)
Aerial Cable - Metallic						
2421.1	1989	7,077,306	4,117,436	136,646,682	135,166,747	3.0%
2421.1	1990	7,868,050	4,065,566	140,449,166	138,547,924	2.9%
2421.1	1991	6,617,727	3,500,845	143,566,048	142,007,607	2.5%
2421.1	1992	5,770,979	2,939,644	146,397,323	144,981,686	2.0%
2421.1	1993	5,910,939	2,923,457	149,384,805	147,891,064	2.0%
2421.1	1994	4,896,331	2,526,395	151,754,741	150,569,773	1.7%
2421.1	1995	5,636,687	2,120,590	155,270,838	153,512,789	1.4%
2421.1	1996	7,261,153	2,325,286	160,172,403	157,721,621	1.5%
2421.1	1997			161,199,000 / 1	160,685,702	
2421.1	1998			161,531,000 / 1	161,365,000	
2421.1	1999			160,994,000 / 1	161,262,500	
Underground Cable - Metallic						
2422.1	1989	3,122,022	1,166,435	126,107,777	125,129,984	0.9%
2422.1	1990	3,448,897	771,107	128,785,567	127,446,672	0.6%
2422.1	1991	2,154,630	1,944,608	128,995,589	128,890,578	1.5%
2422.1	1992	1,945,071	3,449,210	127,491,450	128,243,520	2.7%
2422.1	1993	2,197,545	1,374,710	128,314,285	127,902,868	1.1%
2422.1	1994	1,799,998	1,469,983	128,644,300	128,479,293	1.1%
2422.1	1995	2,500,327	1,377,109	129,767,518	129,205,909	1.1%
2422.1	1996	2,347,826	1,478,185	130,903,220	130,335,369	1.1%
2422.1	1997			131,818,000 / 1	131,360,610	
2422.1	1998			132,482,000 / 1	132,150,000	
2422.1	1999			132,830,000 / 1	132,656,000	
Buried Cable - Metallic						
2423.1	1989	50,033,172	6,456,059	562,799,874	541,011,318	1.2%
2423.1	1990	66,327,960	8,653,093	620,474,741	591,637,308	1.5%
2423.1	1991	54,712,465	8,214,388	666,972,818	643,723,780	1.3%
2423.1	1992	52,240,615	9,246,698	709,966,735	688,469,777	1.3%
2423.1	1993	51,742,051	7,793,328	753,915,458	731,941,097	1.1%
2423.1	1994	39,508,667	7,260,614	786,163,511	770,039,485	0.9%
2423.1	1995	40,305,111	5,651,733	820,816,889	803,490,200	0.7%
2423.1	1996	41,400,215	6,100,138	854,496,125	837,656,507	0.7%
2423.1	1997			877,884,000 / 1	866,190,063	
2423.1	1998			900,282,000 / 1	889,083,000	
2423.1	1999			922,117,000 / 1	911,199,500	
Combined (Aerial, Underground & Buried) Metallic Cable						
	1989	60,232,500	11,739,930	825,554,333	801,308,048	1.5%
	1990	77,644,907	13,489,766	889,709,474	857,631,904	1.6%
	1991	63,484,822	13,659,841	939,534,455	914,621,965	1.5%
	1992	59,956,665	15,635,552	983,855,508	961,694,982	1.6%
	1993	59,850,535	12,091,495	1,031,614,548	1,007,735,028	1.2%
	1994	46,204,996	11,256,992	1,066,562,552	1,049,088,550	1.1%
	1995	48,442,125	9,149,431	1,105,855,245	1,086,208,899	0.8%
	1996	51,009,194	9,903,609	1,145,571,749	1,125,713,497	0.9%
	1997			1,170,901,000 / 1	1,158,236,375	
	1998			1,194,295,000 / 1	1,182,598,000	
	1999			1,215,941,000 / 1	1,205,118,000	

Data Source: BellSouth's Data Response , Item 1, Docket 97-239-C.

BellSouth of South Carolina

Comparison of Metallic Cable Investment to Retirements



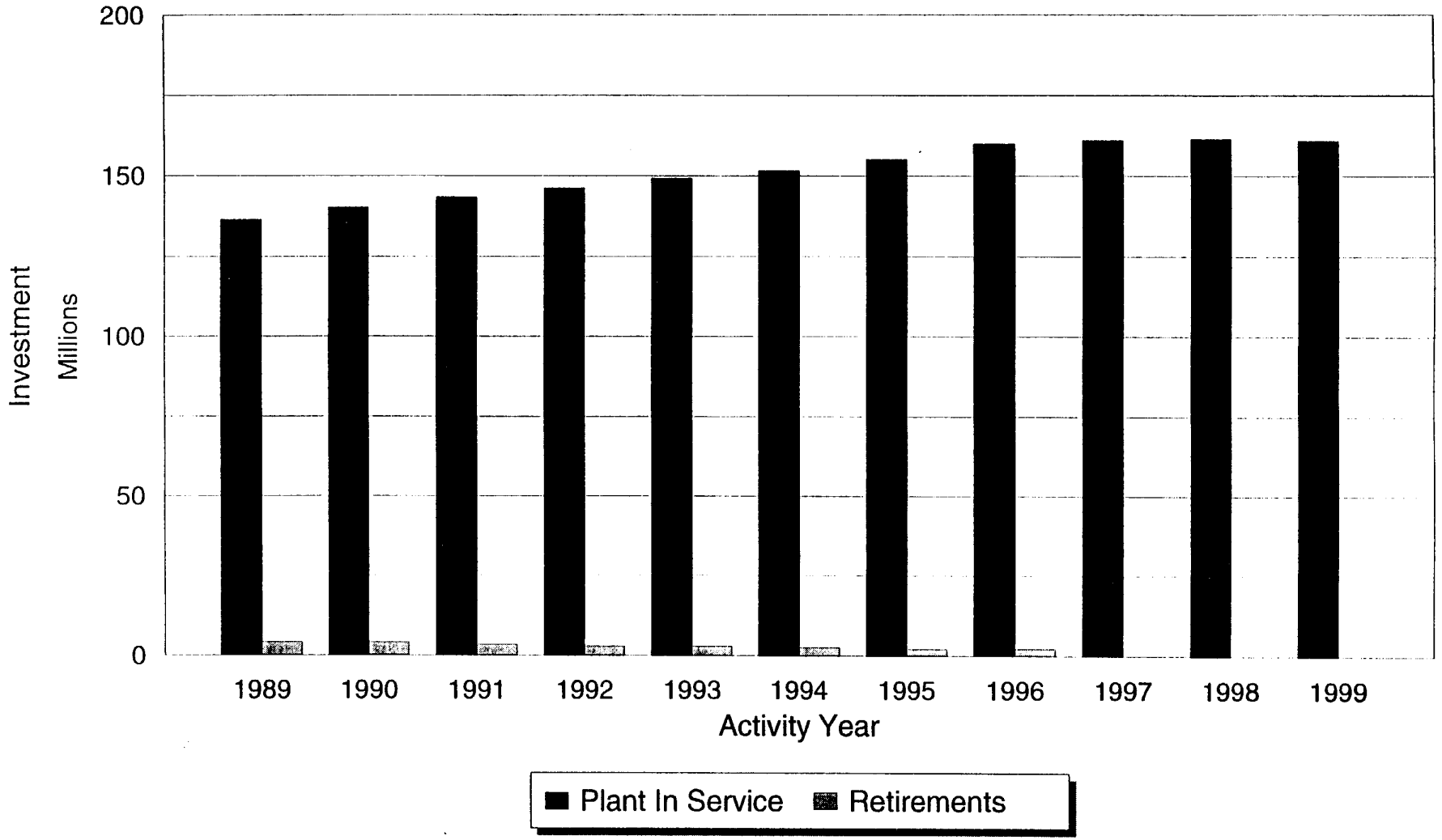
Combined Aerial, Underground & Buried Metallic Cable Accounts

1997-1999 Forecast invest. in response to AT&T data request Item No. 3; Adds and Ret. not available

Exhibit 2
Page 2 of 6

BellSouth of South Carolina

Aerial Cable - Metallic

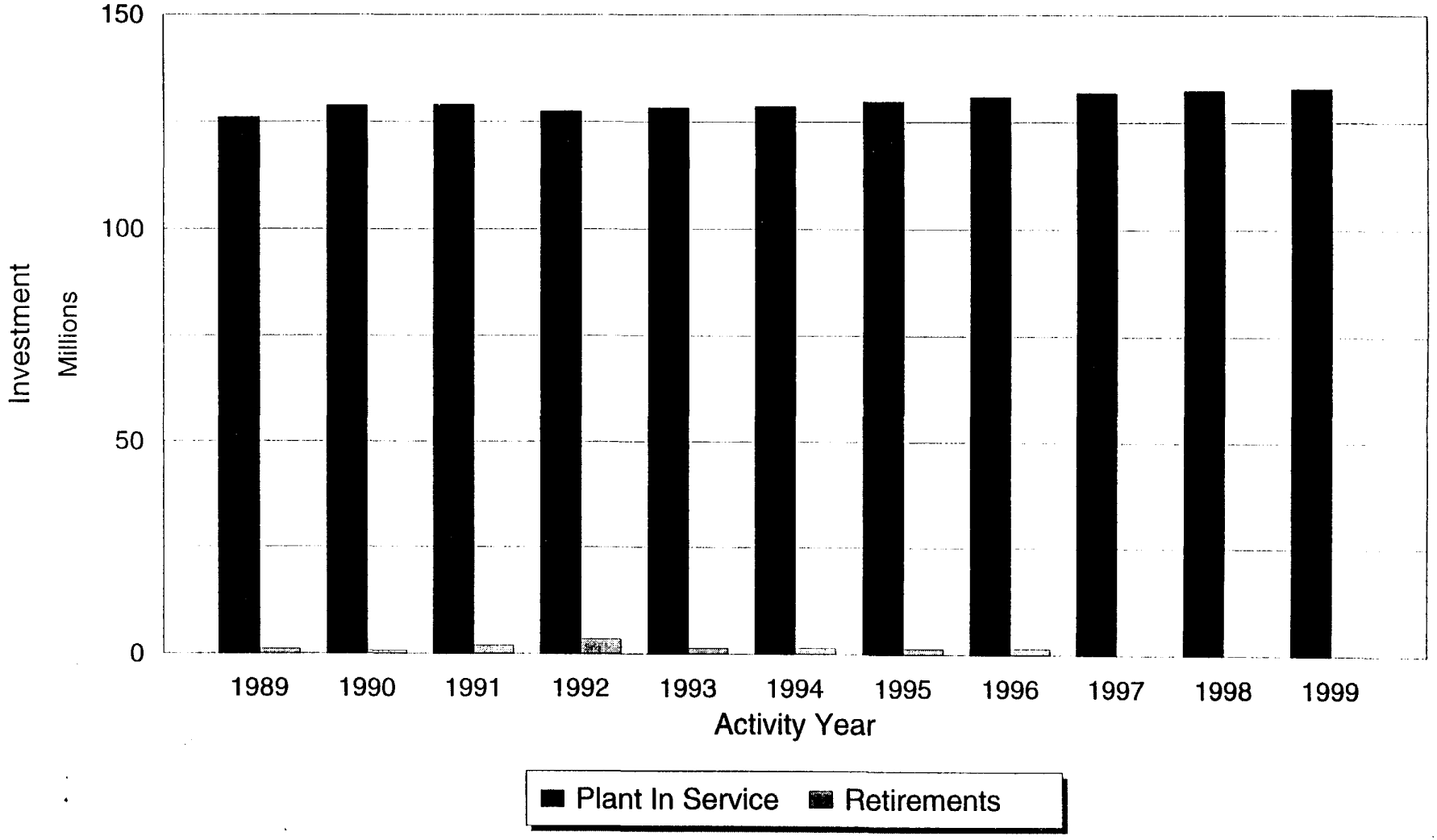


1997-1999 Forecast in response to AT&T data request Item No. 3

EXHIBIT 2
PAGE 3 OF 6

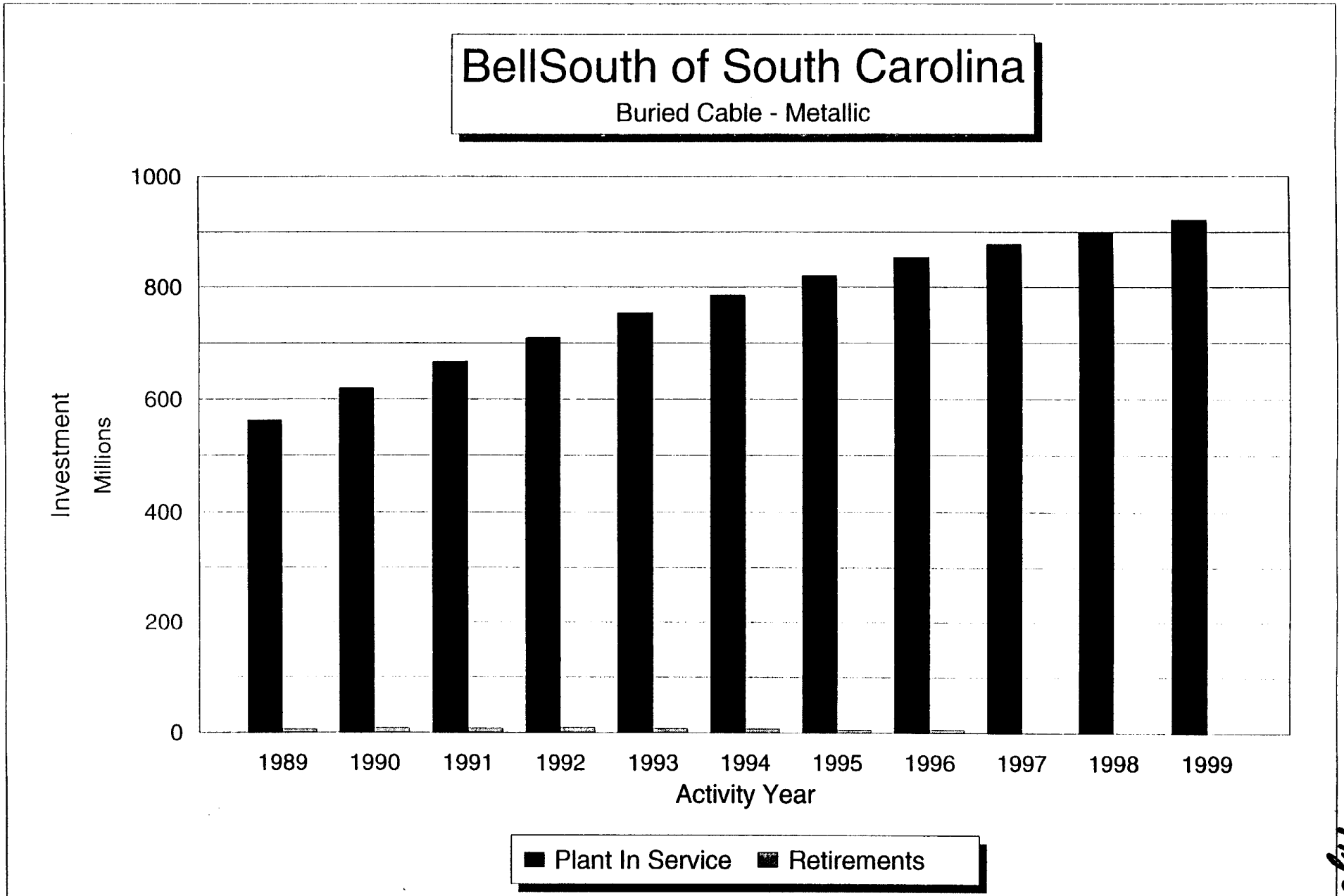
BellSouth of South Carolina

Underground Cable - Metallic



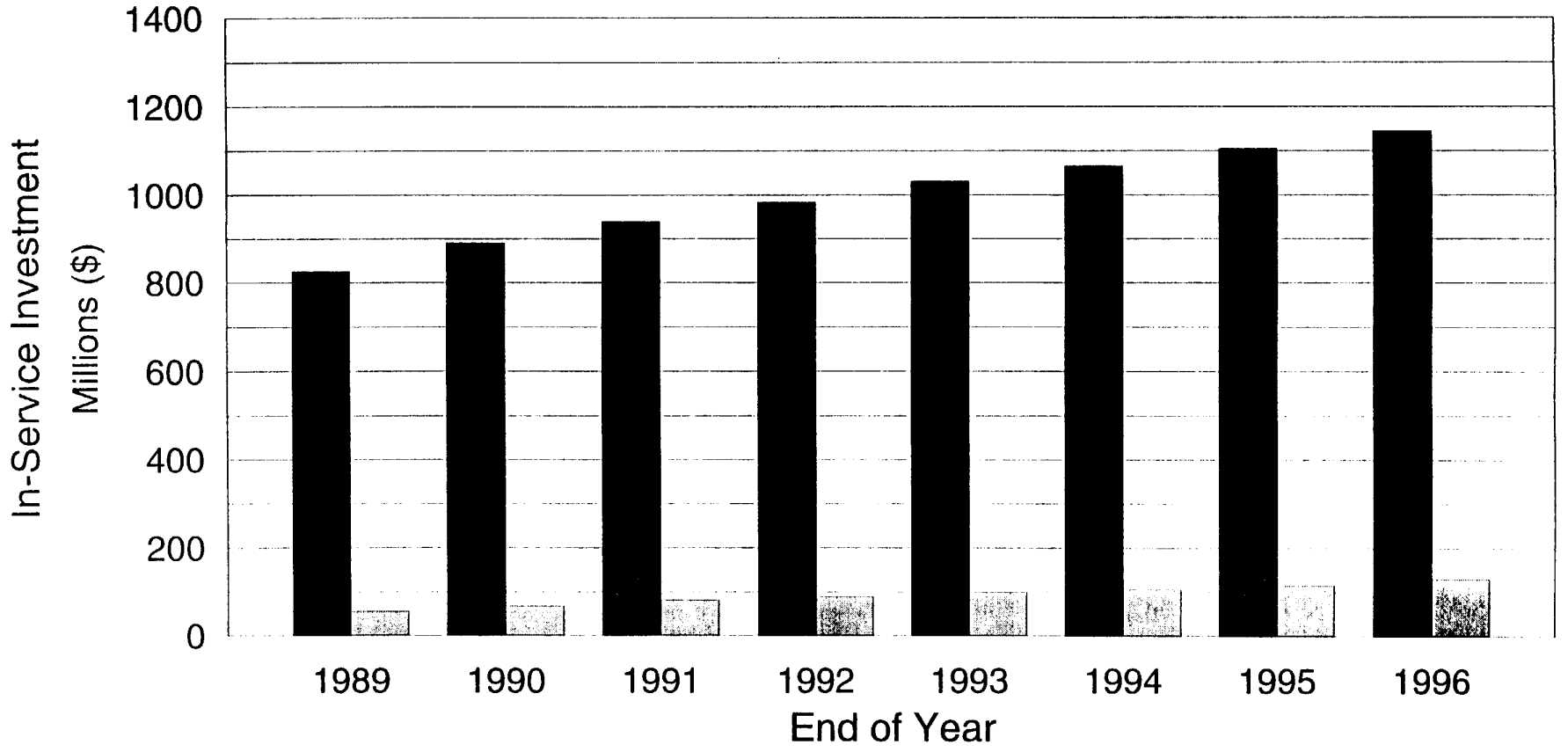
1997-1999 forecast in response to AT&T data request Item No. 3

EXHIBIT 2
PAGE 4 OF 6


BellSouth of South Carolina
Buried Cable - Metallic
Investment
Millions
1000
800
600
400
200
0
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
Activity Year
Plant In Service
Retirements
1997-1999 forecast in response to AT&T data request Item No. 3

BellSouth of South Carolina

Comparison of Metallic and Fiber In-Service Investment



Combined Aerial, Underground and Buried Plant Accounts

Exhibit 2
Page 6 of 6

EXHIBIT 3

GTE South - South Carolina - Metallic Cable

Account	Year	Additions	Retirements	Investment EOY Balance	Average Investment	Single Year Retirement Ratios
Aerial Cable - Metallic						
2421.1	1989	5,941,401	1,156,787	35,191,759	32,799,452	3.5%
2421.1	1990	3,089,117	1,544,722	37,030,821	36,111,290	4.3%
2421.1	1991	939,357	568,710	37,401,468	37,216,145	1.5%
2421.1	1992	1,945,140	473,178	38,889,154	38,145,311	1.2%
2421.1	1993	1,121,674	785,874	39,630,414	39,259,784	2.0%
2421.1	1994	829,422	507,132	39,923,119	39,776,767	1.3%
2421.1	1995	983,364	557,845	40,491,278	40,207,199	1.4%
Underground Cable - Metallic						
2422.1	1989	713,483	153,911	7,981,468	7,701,682	2.0%
2422.1	1990	365,396	333,636	7,972,927	7,977,198	4.2%
2422.1	1991	81,175	81,598	7,972,504	7,972,716	1.0%
2422.1	1992	755,290	201,993	8,525,800	8,249,152	2.4%
2422.1	1993	156,377	517,012	8,287,106	8,406,453	6.2%
2422.1	1994	243,680	43,562	8,484,744	8,385,925	0.5%
2422.1	1995	332,787	244,679	8,589,296	8,537,020	2.9%
Buried Cable - Metallic						
2423.1	1989	11,835,349	1,213,288	73,285,746	67,974,716	1.8%
2423.1	1990	14,375,802	1,806,313	86,306,708	79,796,227	2.3%
2423.1	1991	1,738,793	880,579	87,164,923	86,735,816	1.0%
2423.1	1992	12,085,337	883,397	98,420,831	92,792,877	1.0%
2423.1	1993	6,493,735	384,669	105,350,529	101,885,680	0.4%
2423.1	1994	6,319,711	245,280	111,347,693	108,349,111	0.2%
2423.1	1995	6,978,136	2,102,381	116,323,015	113,835,354	1.8%
Combined (Aerial, Underground & Buried) Metallic Cable						
	1989	18,490,233	2,523,986	116,458,973	108,475,850	2.3%
	1990	17,830,315	3,684,671	131,310,456	123,884,715	3.0%
	1991	2,759,325	1,530,887	132,538,895	131,924,676	1.2%
	1992	14,785,767	1,558,568	145,835,785	139,187,340	1.1%
	1993	7,771,786	1,687,555	153,268,049	149,551,917	1.1%
	1994	7,392,813	795,974	159,755,556	156,511,803	0.5%
	1995	8,294,287	2,904,905	165,403,589	162,579,573	1.8%

Data Source: GTE South - South Carolina 1996 Depreciation Rate Study

EXHIBIT 4

COMPARISON OF BELLSOUTH'S METALLIC CABLE FORECAST TO ACTUAL RETIREMENTS

(BellSouth of Florida - Docket No. 920385-TL)

	BellSouth of Florida Retirement Forecast ($000) (a)	Total Actual Booked Retirements ($000) (b)	Retirements Associated With Hurricane Andrew ($000) (c)	Normal Retirements Excluding Andrew ($000) (d=b-c)	Forecast Error ** (%) (e=(a-d)/a
Aerial Cable - Metallic					
1992	15,306	23,228	2,577	20,651	-34.9%
1993	19,917	26,934	14,602	12,332	38.1%
1994	25,512	9,343	0	9,343	63.4%
1995	31,214	12,840	0	12,840	58.9%
1996	35,722	8,995	0	8,995	74.8%
1997	37,788	8,701 *	0	8,701	77.0%
Totals for Years 1992-199:	165,459	90,041	17,179	72,862	56.0%

BellSouth of Florida - Docket No. 920385-TL Authorized Lives Based on Bell South Forecast (Aerial Cable - Metallic)

Authorized Remaining Life 9.7 Years
Associated Projection Life 15.5 Years

Underground Cable- Metallic					
1992	43,211	10,495	39	10,456	75.8%
1993	53,215	19,402	221	19,181	64.0%
1994	63,915	14,845	0	14,845	76.8%
1995	74,534	11,837	0	11,837	84.1%
1996	81,990	6,178	0	6,178	92.5%
1997	82,709	3,698 *	0	3,698	95.5%
Totals for Years 1992-199:	399,574	66,455	260	66,195	83.4%

BellSouth of Florida - Docket No. 920385-TL Authorized Lives Based on Bell South Forecast (Underground Cable - Metallic)

Authorized Remaining Life 6.0 Years
Associated Projection Life 11.6 Years

Buried Cable - Metallic					
1992	58,236	22,881	783	22,098	62.1%
1993	76,137	22,283	4,438	17,845	76.6%
1994	97,482	23,506	0	23,506	75.9%
1995	119,162	20,135	0	20,135	83.1%
1996	135,835	21,445	0	21,445	84.2%
1997	142,227	15,600 *	0	15,600	89.0%
Totals for Years 1992-199:	629,079	125,850	5,221	120,629	80.8%

BellSouth of Florida - Docket No. 920385-TL Authorized Lives Based on Bell South Forecast (Buried Cable - Metallic)

Authorized Remaining Life 9.0 Years
Associated Projection Life 15.0 Years

Total Metallic Cable	**$1,194,112**	$282,346	$22,660	**$259,686**	**78.3%**
Combined Forecast Error (1992-1997)				**($934,426)**	

* Forecast Activity, Cunningham's Testimony Docket No. 980696-TP, Table A's .
** Positive value indicates BellSouth's Docket No. 920385-TL forecast of more retirements in life projections than actually occurred.

EXHIBIT 5

GTE - ALABAMA

COMPARISON OF TFI'S FIBER FEEDER FORECASTS
(PERCENT OF CIRCUITS SERVED BY FIBER CABLE)

End-of-Year	TFI's 1988 Forecast %	TFI's 1994 Forecast %	TFI's 1997 Forecast %	**GTE of Alabama Actual** %
1982	**0.0**	**0.0**	**0.0**	
1983	**0.1**	**0.1**	**0.1**	
1984	**0.1**	**0.1**	**0.1**	
1985	**0.4**	**0.4**	**0.4**	
1986	**0.7**	**0.7**	**0.7**	
1987	**1.1**	**1.1**	**1.1**	
1988	**1.6**	**1.6**	**1.6**	
1989	2.2	**2.2**	**2.2**	
1990	3.4	**3.1**	**3.1**	
1991	5.1	**3.8**	**3.7**	
1992	7.6	5.1	**4.9**	
1993	11.1	6.1	**6.1**	
1994	16.0	8.3	**7.4**	
1995	22.6	11.2	**9.3**	
1996	30.8	15.0	12.4	**6.3**
1997	40.4	19.4	14.4	
1998	50.8	24.6	19.5	
1999	61.2	30.8	23.9	
2000	70.6	38.0	29.0	
2001	78.5	45.9	34.6	
2002	84.8	53.9	40.8	
2003	89.5	61.6	47.5	
2004	92.9	68.5	54.6	
2005	95.2	74.6	61.9	
2006	96.8	80.0	69.1	
2007	97.9	84.7	75.6	
2008	98.6	88.7	81.1	
2009	99.1	91.9	85.8	
2010		94.3	89.7	
2011		96.0	92.8	
2012		97.3	94.9	
2013		98.4	96.5	
2014		99.1	98.2	
2015		99.5	99.2	

Note: Bold indicates actual industry percents at the time TFI projections developed.

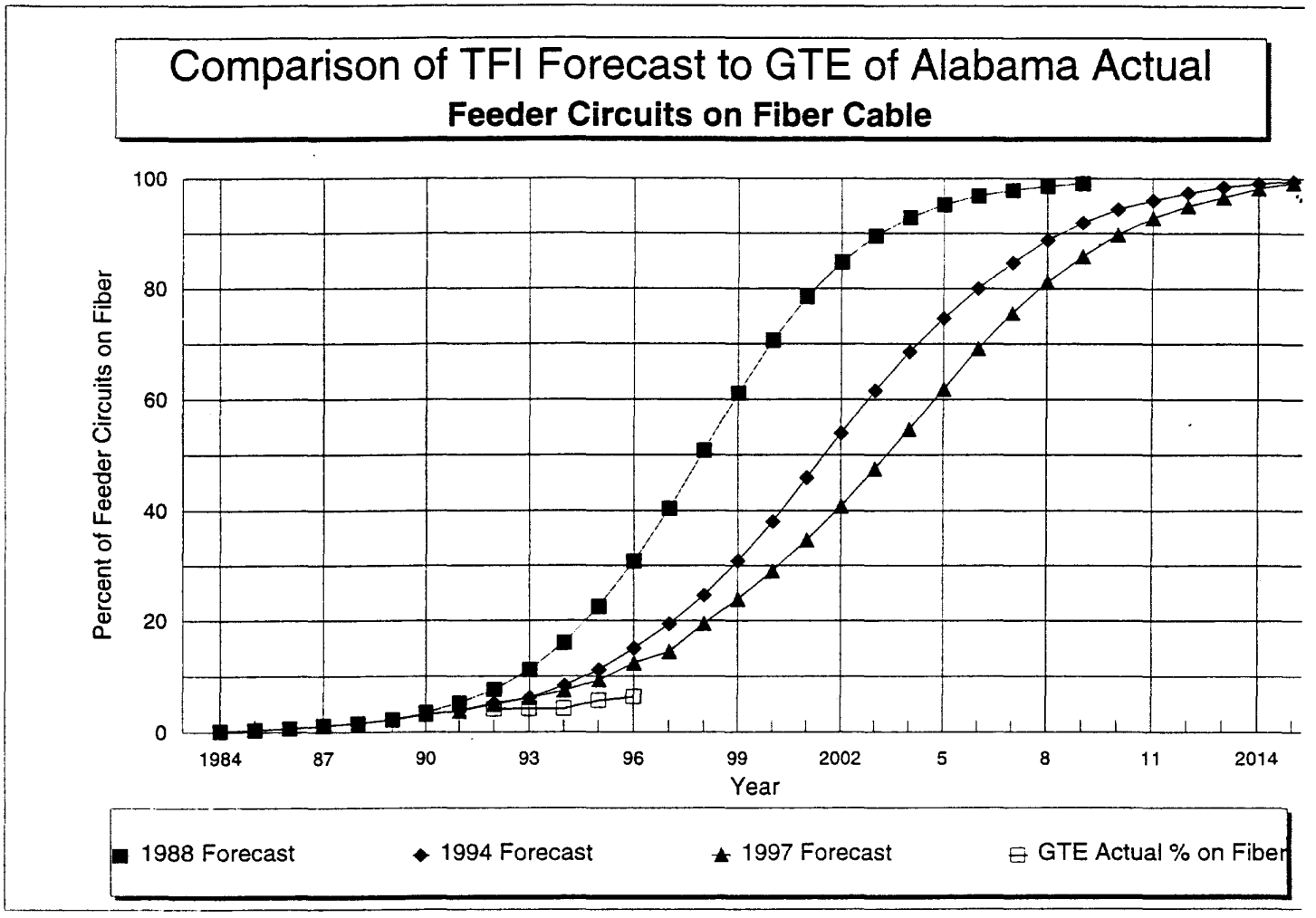

Comparison of TFI Forecast to GTE of Alabama Actual
Feeder Circuits on Fiber Cable
Percent of Feeder Circuits on Fiber
100
80
60
40
20
0
1984
87
90
93
96
99
2002
5
8
11
2014
Year
1988 Forecast
1994 Forecast
1997 Forecast
GTE Actual % on Fiber

EXHIBIT 6

OCA Ex.___ (JWC - 1)
Schedule 3
DPU 96-9

SCHEDULE 3

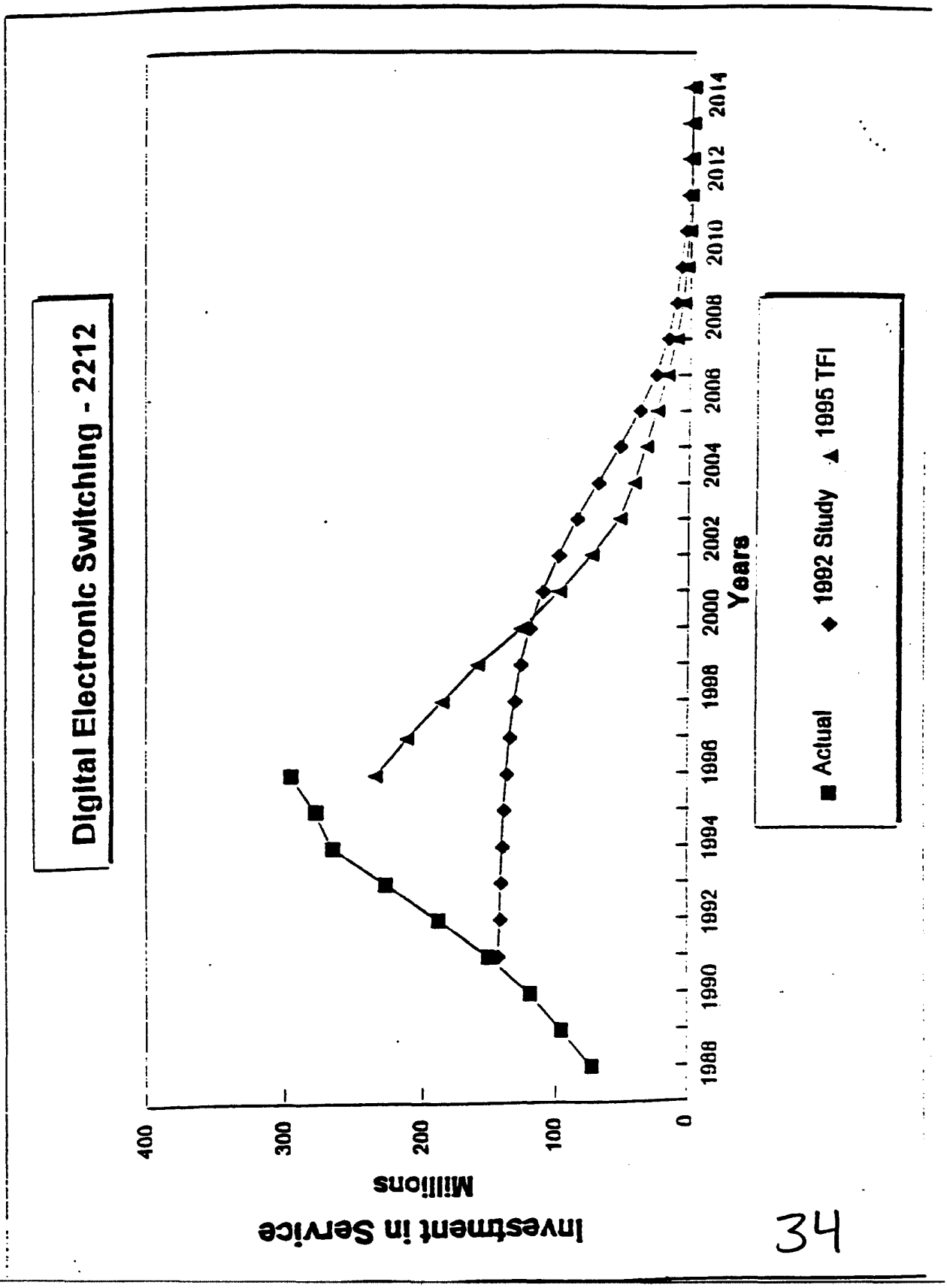
Comparison of USWs 1992 and TFIs Life Cycle Forecasts

to Actual Plant In-Service

April 23, 1997

EXHIBIT 6

JWC-1 (Schedule 3)
Page 1 of 8



U S West Communications, Inc. of Iowa

Digital Switching
Comparison of Plant in Service Forecast

Year	Investment in Service as of 12/31 Actual	1992 Depreciation Study Forecast as of 3/16/92	TFI Late Scenario RL Projections as of 1995	TFI Remaining Life Projections as of 1/1/1995
1988	73,022,254			
1989	96,515,684			
1990	120,125,738			
1991	151,482,579	144,007,474		
1992	189,019,231	143,063,289		
1993	228,262,285	142,103,179		
1994	265,999,567	141,032,114		
1995	278,403,996	139,802,473		
1996	296,053,291	138,128,488	0.847	235,808,185
1997		135,657,210	0.763	212,422,249
1998		132,205,013	0.670	186,530,677
1999		127,486,262	0.575	160,082,298
2000		120,795,044	0.458	127,509,030
2001		111,401,985	0.354	98,555,015
2002		99,459,430	0.265	73,777,059
2003		85,381,826	0.188	52,339,951
2004		69,421,265	0.149	41,482,195
2005		52,989,092	0.117	32,573,268
2006		37,840,094	0.087	24,221,148
2007		25,393,345	0.060	16,704,240
2008		16,621,684	0.037	10,300,948
2009		11,072,089	0.020	5,568,080
2010		7,417,104	0.011	3,106,989
2011		4,839,564	0.007	1,948,828
2012		2,930,124	0.004	1,113,616
2013		1,513,933	0.002	556,808
2014		537,544	0.001	278,404
2015		537,544	0.001	278,404

U.S. West Proposed Remaining Life as of 1/1/96 — 5.3 Years RL

TFI Estimated Rem. Life 1/1/95 - Table 2 Vanston — 6.3 Years RL

Exhibit 6

JWC-1 (Schedule 3)
Page 3 of 8

36

U S West Communications, Inc. of Iowa

Aerial Cable - Metallic
Comparison of Plant in Service Forecast

Year	Investment in Service as of 12/31 Actual	1992 Depreciation Study Forecast as of 3/16/92	TFI Middle Scenario Metallic Distribution as of 1995	TFI Remaining Life Projections as of 1995
1988	$29,867,080			
1989	$29,983,645			
1990	$30,432,857			
1991	$30,587,207	$30,700,695		
1992	$31,036,874	$30,008,460		
1993	$32,329,033	$29,272,728		
1994	$33,074,840	$28,462,703		
1995	$33,691,953	$27,547,717		
1996	$35,553,038	$26,337,878	0.989	$33,321,342
1997		$24,686,669	0.976	$32,883,346
1998		$22,681,468	0.952	$32,074,739
1999		$20,455,218	0.912	$30,727,061
2000		$18,084,343	0.851	$28,671,852
2001		$15,671,266	0.767	$25,841,728
2002		$13,298,908	0.672	$22,640,992
2003		$11,050,152	0.578	$19,473,949
2004		$9,001,886	0.492	$16,576,441
2005		$7,198,307	0.411	$13,847,393
2006		$5,688,901	0.331	$11,152,036
2007		$4,482,893	0.251	$8,456,680
2008		$3,521,042	0.178	$5,997,168
2009		$2,728,629	0.119	$4,009,342
2010		$2,059,274	0.075	$2,526,896
2011		$1,477,625	0.046	$1,549,830
2012		$971,251	0.027	$909,683
2013		$537,844	0.016	$539,071
2014		$193,206	0.009	$303,228
2015		$0	0.005	$168,460
2016		$0		$0

U.S. West Proposed Remaining Life as of 1/1/96 — 8.1 Years

TFI Estimated Rem. Life 1/1/95 - Middle Distribution Scenario — 10. 2 Years

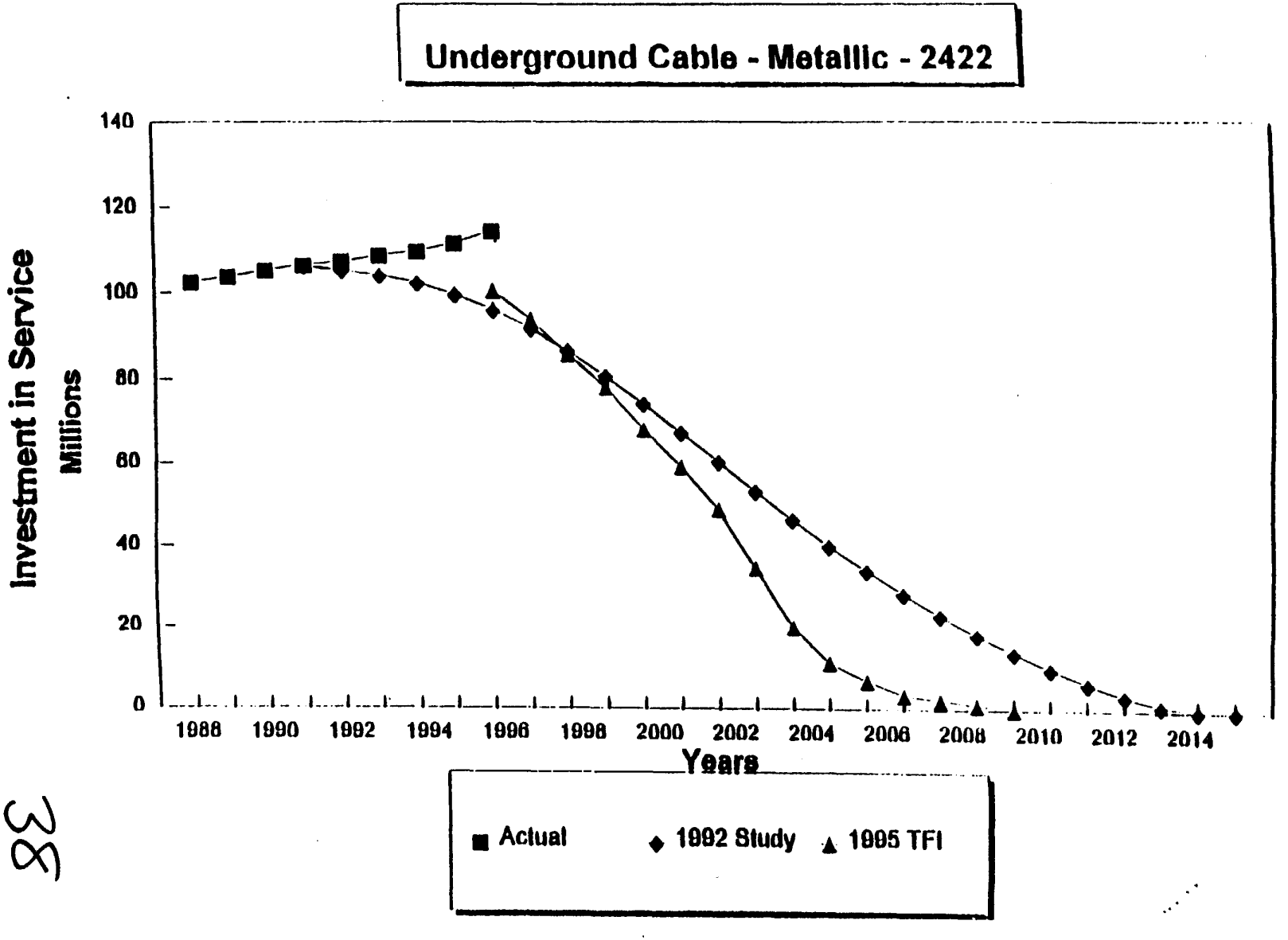

Underground Cable - Metallic - 2422
Investment in Service
Millions
140
120
100
80
60
40
20
0
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
Years
Actual
1992 Study
1995 TFI

EXHIBIT 6

JWC-1 (Schedule 3)
Page 6 of 8

U S West Communications, Inc. of Iowa

Underground Cable - Metallic
Comparison of Plant in Service Forecast

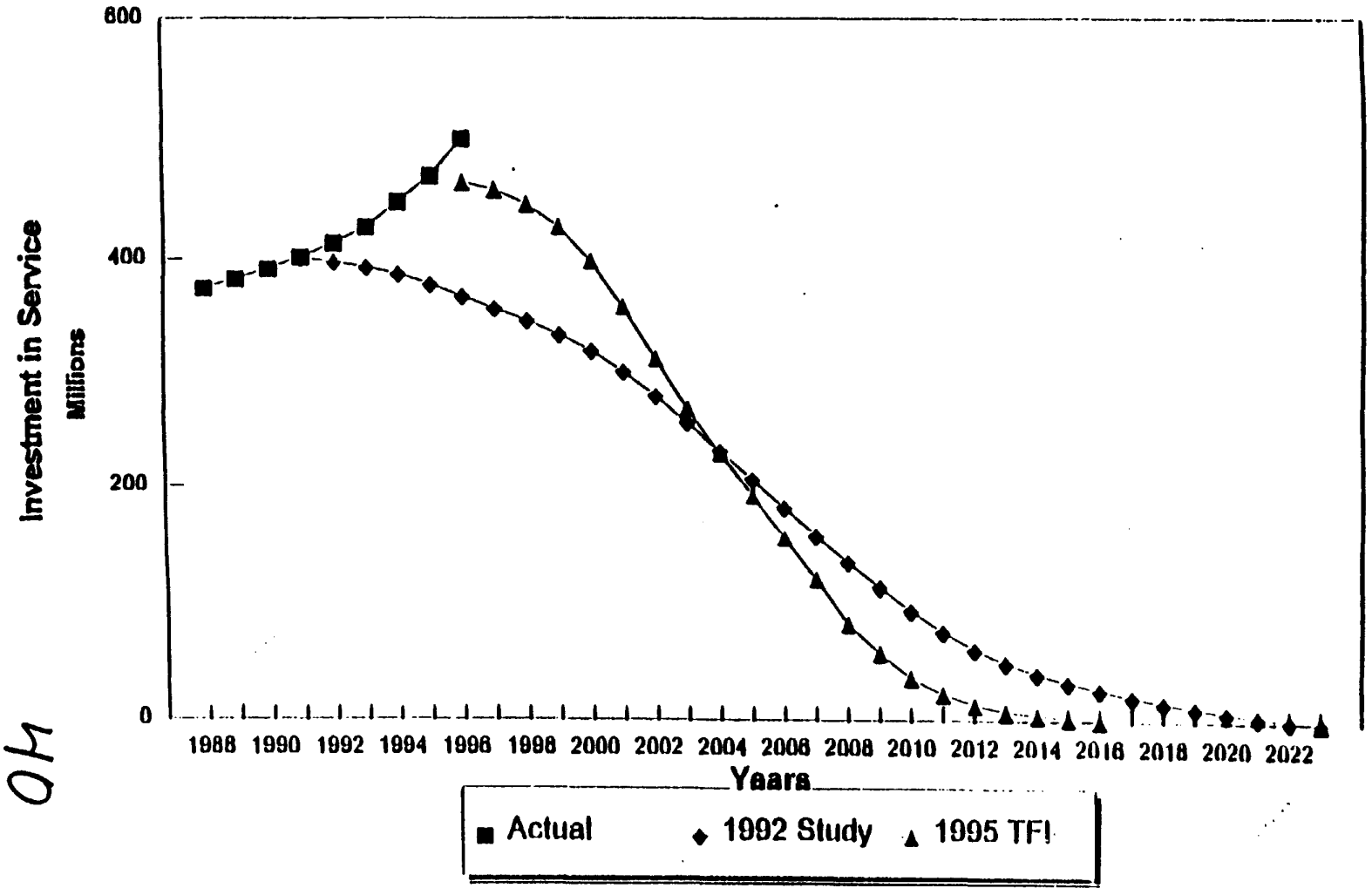
Year	Investment in Service as of 12/31 Actual	1992 Depreciation Study Forecast as of 3/16/92	TFI Early Scenario Metallic Feeder as of 1/1/1995	TFI Remaining Life Projections as of 1995
1988	102,532,684			
1989	103,818,415			
1990	105,335,928			
1991	106,488,505	106,215,611		
1992	107,380,485	105,212,092		
1993	108,847,545	104,070,692		
1994	109,885,343	102,353,945		
1995	111,700,028	99,605,724		
1996	114,598,448	96,049,330	0.90	100,530,025
1997		91,848,558	0.84	93,828,024
1998		86,737,321	0.77	86,009,022
1999		80,776,575	0.70	78,190,020
2000		74,244,883	0.61	68,137,017
2001		67,364,919	0.53	59,201,015
2002		60,368,080	0.44	49,148,012
2003		53,408,050	0.31	34,627,009
2004		46,618,032	0.18	20,106,005
2005		40,141,179	0.10	11,170,003
2006		34,083,656	0.06	6,702,002
2007		28,382,906	0.03	3,351,001
2008		23,108,615	0.02	2,234,001
2009		18,273,287	0.01	1,117,000
2010		13,831,798	0.00	0
2011		9,834,229	0.00	
2012		6,330,540	0.00	
2013		3,430,954	0.00	
2014		1,214,500	0.00	
2015		0	0.00	

U.S. West Proposed Remaining Life as of 1/1/96 — 5.3 Years RL

TFI Estimated Rem. Life 1/1/95 - Early Feeder Scenario — 7.0 Years RL

OH

Buried Cable - Metallic - 2423



U S West Communications, Inc. of Iowa

Buried Cable - Metallic
Comparison of Plant in Service Forecast

Year	Investment in Service as of 12/31 Actual	1992 Depreciation Study Forecast as of 3/16/92	TFI Middle Scenario Metallic Distribution as of 1/1/1995	TFI Remaining Life Projections as of 1995
1988	375,427,898			
1989	383,032,433			
1990	391,914,012			
1991	402,314,132	400,941,081		
1992	414,046,767	397,705,387		
1993	427,638,688	393,430,677		
1994	448,237,458	387,462,566		
1995	469,006,963	378,770,341		
1996	499,624,290	368,320,021	0.989	463,847,886
1997		357,771,634	0.976	457,750,796
1998		347,302,316	0.952	446,494,629
1999		335,921,064	0.912	427,734,350
2000		321,869,032	0.851	399,124,926
2001		303,724,051	0.767	359,728,341
2002		282,018,033	0.672	315,172,679
2003		258,075,871	0.578	271,086,025
2004		232,770,116	0.492	230,751,426
2005		207,158,284	0.411	192,761,862
2006		181,938,030	0.331	155,241,305
2007		157,159,379	0.251	117,720,748
2008		133,384,549	0.171	80,200,191
2009		111,152,603	0.119	55,311,829
2010		91,072,503	0.075	35,175,522
2011		73,580,525	0.046	21,574,320
2012		59,126,391	0.027	12,663,188
2013		47,743,501	0.016	7,504,111
2014		38,301,920	0.009	4,221,063
2015		31,538,960	0.005	2,345,035
2016		25442768	0.000	0
2017		20078763		
2018		15236422		
2019		10919163		
2020		7227631		
2021		4002398		
2022		1437755		
2023		0		

U.S. West Proposed Remaining Life as of 1/1/96 — 9.4 Years RL

TFI Estimated Rem. Life 1/1/95 - Middle Distribution Scenario — 10.2 Years RL